

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 EB-08 IO-14 AID-05 CIAE-00 FRB-01

INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 HUD-02 CEQ-01 SOE-02 DODE-00 EPA-04 L-03

NSF-02 PM-05 OES-07 DOE-15 INT-05 /162 W

-----009637 031315Z /44

R 031119Z JUL 78

FM AMEMBASSY DAMASCUS

TO USDOC WASHDC

AMEMBASSY ATHENS

INFO SECSTATE WASDC 8619

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ATHENS FOR RTDO

E.O. 11652: NA

TAGS: BEXP, BENC, SY

SUBJ: BAB AL-FARAJ UPDATE: MAJOR PROJECT

REF: DAMASCUS 4131 (77)

SUMMARY: SARG SIGNED WITH UNIVERSITY OF ALEPPO CONTRACT FOR PERFORMANCE OF PRELIMINARY STUDIES ON RENEWAL OF DOWNTOWN CITY CENTER OF ALEPPO, SYRIA'S SECOND LARGEST CITY. MILITARY HOUSING ESTABLISHMENT HAS OFFERED TO DO FINAL DESIGN AND CONSTRUCTION ON US DOLS 150 MILLION PLUS CONTRACT. PROJECT, LARGEST YET CONTEMPLATED IN SYRIA, SIGNALS SARG DETERMINATION TO SHOW ECONOMIC ADVANCE. END SUMMARY.

1. AFTER LONG DELAY, SARG HAS MOVED ONE STEP FURTHER ON SUBJECT PROJECT, THE RENEWAL OF THE DOWNTOWN AREA OF SYRIA'S SECOND LARGEST CITY. FROM PRESS REPORTS AND FROM DISCUSSIONS WITH UNIVERSITY OF ALEPPO ENGINEERS
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SLATED FOR WORK ON PROJECT, COMOFF PUT TOGETHER FOLLOWING ON PROJECT STATUS:

2. PRELIMINARY STUDIES: AFTER MEETINGS BETWEEN MUHAFAZ (GOVERNOR) OF ALEPPO AND PRIME MINISTER HALABI, SARG SIGNED AN AGREEMENT WITH THE UNIVERSITY OF ALEPPO DEPARTMENT OF ENGINEERING TO PERFORM TOPOGRAPHIC,

ECONOMIC AND SOCIAL STUDIES OF PROJECT. STUDIES ARE EXPECTED TO BEGIN IN ONE MONTH, AND WILL LAST ABOUT 20 MONTHS. STUDIES WILL PROCEED IN TWO STAGES, TO PERMIT CONSTRUCTION START AS EARLY AS TEN MONTHS FROM NOW.

3. FINAL DESIGN AND CONSTRUCTION: LOCAL PRESS REPORTS THAT THE MILITARY HOUSING ESTABLISHMENT, A MINISTRY OF DEFENSE AFFILIATED CONTRACTOR WHICH BUILDS BOTH MILITARY BARRACKS AND CIVILIAN HOUSING PROJECTS, WILL DO FINAL DESIGN AND ALL CONSTRUCTION WORK. ACCORDING TO UNIVERSITY SOURCES, HOWEVER, SELECTION OF MILITARY HOUSING NOT "100 PERCENT" FINAL, AND THAT SUBMISSION BY INTERNATIONAL FIRMS OF TURNKEY BIDS, AS ORIGINALLY CONTEMPLATED (REF) WOULD STILL BE CONSIDERED.

4. PROJECT SCOPE: BAB AL-FARAJ AREA COVERS A TOTAL OF 100,000 SQ. MT. OF SURFACE AREA. TOTAL FLOOR SPACE OF PROJECTS, IN BUILDINGS OF FROM FOUR TO TWENTY STORIES HIGH, WILL BE 600,000 SQ. MT. PROJECT WILL INCLUDE SHOPS AND OTHER COMMERCIAL SPACE, OFFICE BUILDINGS, HOTELS, GARAGES, PARKS AND GREEN SPACE, RESTAURANTS, AND OTHER TOURIST FACILITIES. PROJECT WILL BE BUILT IN STAGES OVER COURSE OF SIX YEARS FOLLOWING COMPLETION OF PRELIMINARY STUDIES.

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5. COST AND FINANCING: INITIAL ESTIMATE FOR PROJECT COST IS SL 600 MILLION, OR U.S. DOLS 150 MILLION. OTHER SOURCES INDICATE, BECAUSE OF INFLATION, PROJECT COST COULD SOAR TO OVER U.S. DOLS 250 MILLION. WHICHEVER FIGURE IS USED, BAB AL-FARAJ WOULD, WITH THE EXCEPTION OF THE EUPHRATES DAM, BE THE LARGEST PROJECT UNDERTAKEN IN SYRIA TO DATE. WITH SYRIA FACING A "CRISE" (SO-CALLED IN ALEPPO) IN FOREIGN EXCHANGE, FINANCING FOR SUCH A PROJECT POSES A MAJOR OBSTACLE. SARG HAD ORIGINALLY HOPED TO RECEIVE OFFERS FOR FINANCIAL ASSISTANCE ALONG WITH BIDS FROM INTERNATIONAL FIRMS. THE RESPONSE WAS APPARENTLY UNSTASISFACTORY (EMBASSY HAS HEARD THAT BIDS FROM TWO U.S. FIRMS AND ONE SWISS WERE SUBMITTED, BUT WITHOUT RESULTS.) ACCORDING TO CURRENT THINKING, FINANCING PROBLEMS WILL BE TACKLED IN TWO WAYS: (1) TO HOLD DOWN ON FOREIGN EXCHANGE COSTS, MOST OF BASIC WORK ON PROJECT WILL BE DONE LOCALLY BY UNIVERSITY OF ALEPPO AND MILITARY HOUSING AND (2) BY IMPLEMENTING THE PROJECT IN STAGES, SARG ALLOWS ALEPPO BUSINESSMEN, WHO ARE REPORTEDLY EAGER TO PAY HIGH RENTS (ONE ESTIMATE IS SL 7000 PER SQ MT.) TO OCCUPY NEW SPACE

IN SHOPS AND OFFICES.

6. ENVIRONMENTAL PROBLEMS: ALONG WITH ENTHUSIASM FOR LONG-DELAYED PROJECT, COMOFF HAS ALSO HEARD CRITICISM, CENTERED ON BOTH VAUGE FEARS ABOUT DESRTUCTION OF OLD, HISTORIC AREAS, AND SPECIFIC CONCERNS ABOUT SPOILAGE OF THE VIEW OF (AND FROM) THE CITADEL, ABOUT THE EFFECT OF TRAFFIC ATTRACTED BY NEW PROJECT ON NEIGHBORING HISTORIC AREAS, AND ABOUT THE FEASIBILITY OF COMMERCIAL CENTERS OUTSIDE THE DOWNTOWN AREA. THESE CONCERNS HAVE BEEN VOICED BY INFLUENTIAL PEOPLE AND ARE BOUND TO MAKE THEMSELVES FELT OVER NEXT TWO YEARS.

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ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-01 INR-10
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HUD-02 CEQ-01 SOE-02 DODE-00 EPA-04 IO-14 L-03
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7. COMMENT: GIVEN CURRENT THINKING AS OUTLINED IN PARA. 5 IT IS UNLIKELY , BUT NOT IMPOSSIBLE, THAT THERE IS MUCH OPPORTUNITY FOR U.S. CONSTRUCTION OR A/E FIRMS IN BAB AL-FARAJ PROJECT. SALES OPPORTUNITIES FOR CONSTRUCTION EQUIPMENT, BUILDING MATERIALS, ELECTRICLA AND MECHANICAL WORK, AND FURNISHINGS REMAIN. FROM AN ECONOMIC STANDPOINT, PROJECT IS EQUALLY INTERESTING. WILLINGNESS OF SARG TO ENTRUST PROJECT OF SUCH MAGNITUDE TO LOCAL GROUPS IS A SIGN OF GOVERNMENT'S DESIRE, PARTICULARLY FOLLOWING THE ACCESSION OF A NEW PRIME MINISTER, TO "CLEAR THE DESK" OF STALLED PROJECTS AND TO DEMONSTRATE ECONOMIC ADVANCE TO AN

IMPORTANT SEGMENT OF THE BUSINESS COMMUNITY.

8. ACTION REQUESTED: ACTION ADDRESSEES ARE REQUESTED TO CIRCULATE NEWS OF STATUS OF ABOVE PROJECT AMONG INTERESTED U.S. FIRMS. ANY POSSIBLE CONSTRUCTION OR DESIGN INTEREST SHOULD BE SENT DIRECTLY TO GOVERNOR OF ALEPPO, HUSSEIN BATTAH, OR DIRECTOR OF TECHNICAL UNCLASSIFIED

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COMMITTEE, MUNICIPALITY OF ALEPPO, ALEPPO, SYRIA, OR UNIVERSITY OF ALEPPO, ENGINEERING DEPARTMENT. IN ADDITION, COMMERCIAL SECTION HAS BEEN APPROACHED BY FOLLOWING FIRMS INTERESTED IN REPRESENTING U.S. COMPANIES ON BAB AL-FARAJ: SYROTEC, PO BOD 165, ALEPPO, SYRIA. CABLE SYROTEC ALEPPO, ABDUL KARIM SHAMI; AND METCO, P.O. BOD 5373, ALEPPO, SYRIA. PELLETREAU

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